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# THE WORLD FOLIO

## Japan

Creating the optimum environment for

humans and machines

6 months ago



Toshi K. Funaki, Chairman & Chief Executive Officer of IDEC Corporation

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Throughout the 75 years of its history, IDEC has constantly strived to provide the optimum HMI products, so that humans and machines can collaborate safely and efficiently.

**In recent years we have seen rising competition from other Asian countries that have developed ways of emulating Monozukuri for a cheaper price. We see however that Japanese companies have become the world leading experts on niche markets. What would you say is the competitive advantage that Japan has against other countries?**

I would say that the main factor is the Japanese character. The Japanese people have a very strong character, dedicated and detail oriented. Every time someone does something in Japan they devote their whole heart to it with the pursuit of excellence in mind.

We are a warrior race with a strong heart. This could be exemplified with Kendo's philosophy, which states that regardless of the situation or how you feel, you must try to the best of your ability to succeed and improve.

In addition, we give great importance to the spirit of collaboration. There are several examples of this phenomenon around the country both individually and also industries that work together towards a common goal. This allows for the sharing of resources and knowhow, resulting in improved capabilities for everyone. This traditional attitude of collaboration I believe is unique within Japan.

**We are living in times of great changes in which incredible innovative technologies are being developed. The progress is so drastic that some people even fear that automation and AI will steal their jobs. In Japan however, with its unique demographic situation this negative approach to innovation is obviously quite milder. What are your thoughts on this?**

I believe that the Japanese population should embrace these new technologies and that we should implement them in a way that adds value to our economy as robots could be the answer to our shrinking labor force. Personally, I believe robots should be able to work together with humans, which in my opinion can be nothing but positive for our country.

**Let's go back to your company. Could you tell us a little more about your history and situation?**

After the war, we started with nothing. Our unique approach to safety made us grow. We became pioneers in safety components and received the trust of big companies like Toyota to ensure safety in their factories. We are coming to a new era of machine and human cooperation, which we are excited to take on. There are many fields that require our technology and are building strength in human and machine interface systems, for which we currently have a 50% domestic market share.

**You mentioned people should work with robots. What kind of business do you develop to realize that?**

Automation and the use of robotics are on the rise at manufacturing sites. We are on the cutting edge of providing solutions that enhance safety and productivity, and came up with our next-generation safety concept "Safety2.0", which is aimed at coordinating safety between humans and machines. This philosophy doesn't just deal with keeping humans out of harm's way but allows the machines to sense any dangers for humans in order to better regulate the safety environment. At the same time, we are pouring our efforts into outreach programs such as the creation of new safety standards and safety consulting.

Additionally, we are able to focus on one of IDEC's strengths—safety-related equipment and safety systems that allow us to propose systems that incorporate elements such as cooperative robots and vision sensors, AI, and automatic guided vehicles from multiple manufacturers, and to put together a wide variety of application packages that let us match collaborative safety robot systems to our customers' needs.

**I saw also you were involved in the production of components for Electronic Vehicle charging stations.**

Yes, we have been supplying components to EV charger manufacturers for over 10 years to operate and ensure the safety of the charging stations. The transition to electric cars all over the world will require tremendous investment into the infrastructure and we believe there is a unique opportunity for us.

In fact, we have been supporting other clean transportation solutions as well and have also been providing a variety of products such as explosion proof LED illumination units and control boxes used in hydrogen stations which replenish the fuel cell vehicles with hydrogen, mostly in Japan.

**You mentioned in your message that you target is to reach 1 Billion US Dollars in the medium term. What is your strategy to reach this goal?**

Our recent acquisition of APEM, a French based company specialized Human-Machine Interface, allows us to combine our R&D capabilities to tackle the global market. This collaboration should allow our company to keep growing and hit our target.

What is very important is determining the right strategy for collaboration in order to be most efficient and add as much value as possible. We specialize in standardized mass production whereas they focus on custom products. Just to give you an example of the repercussion of these differences is the fact that our delivery date is of about one day and theirs is several months.

Our collaboration has allowed both of us to add more value than we could have ever done independently. Or as I like to say  $1+1=3$

We have also acquired other domestic companies like Welcat and Tokyo sensor, which only operated in Japan. Now they can take advantage of our overseas sales network, another example of the advantages of collaboration.

**You mentioned that you produce about 60% in-house. How do you determine what you produce and what you outsource?**

Nowadays we produce about 200,000 products, each made up of many parts. Some of them are very technologically demanding, for which we have developed specific technologies and take great pride and effort to produce them.

Others are simpler and we believe it is more efficient for us to outsource their production and be able to focus on producing the most demanding components with our in house technology.

**I would like to ask you about your international strategy. What do you think are the markets with the most potential for growth and how do you plan to tackle them?**

I think the next ten years are going to bring great change to our world. We are going to experience a shift in energy sources towards cleaner options, new technologies will develop and new competitors may arise, in fields we cannot yet imagine. But our responsibility and mission is to be ready for that change and put our best efforts in order to satisfy our clients all around the world.

**I was reading an interview of the president of Rakuten, who said that Japan has one of the most developed technologies in the world, but sometimes lacks the ability to communicate them effectively. I would like your opinion on that remark and how your company tackles this issue.**

Japan is a country with a very special culture. Companies sometimes forget about the outside and focus on the domestic market. For example, around 25 years ago we kept the name of IZUMI DENKI in Japan while operating under the name of IDEC overseas. We promptly decided to go by the name of IDEC CORPORATION both domestically and internationally to be able to pursue business opportunities on a global scale. Some other Japanese companies have not been able to accomplish this.

We are currently switching our corporate language to English. This is something that not many Japanese companies are doing but we believe we need to do so in order to truly become an international company.

International expansion brings great opportunities for companies, but it can also be challenging in some aspects, for example when controlling the quality of production overseas. How do you make sure that your quality stays high regardless of where you manufacture around the world?

Our target is that within the next few years to have our manufacturing facilities in China to be self sufficient and managed by Chinese. We are currently in the process of acquiring and forming work force in order to guarantee local control of the quality.

Our next target is expansion to India, which hopefully will take place this year.

**I have one more question for you. If I were to come back in 10 years, what would you like to have achieved?**

I would like to continue our globalization, maybe you will see our headquarters located elsewhere. Nowadays only 20-30% of our shareholders are international, and I believe that percentage should grow. I have no doubt that expanding overseas will help us on our quest to continuously keep growing.

